

CITY OF SLOAN, IOWA
INDEPENDENT AUDITORS' REPORTS
FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION
AND SCHEDULE OF FINDINGS

JUNE 30, 2008

CITY OF SLOAN, IOWA

JUNE 30, 2008

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CITY OF SLOAN

CITY OFFICIALS

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
(Before January 2008)		
Morey Copple	Mayor	Jan 2008
Jeff Redmond	Council Member	Jan 2008
Dr. Garry Clark	Council Member	Jan 2008
Theresa Holdgrafer	Council Member	Jan 2008
Darrel Iverson	Council Member	Jan 2010
LeRoy Towne	Council Member	Jan 2010
Tracy Mertz	Clerk/Treasurer	Annual
Jeffrey Sar	Attorney	Annual
(After January 2008)		
Tom Ullrich	Mayor	Jan 2011
Kay Ping	Council Member	Jan 2011
Sandy Thorpe	Council Member	Jan 2011
Theresa Holdgrafer	Council Member	Jan 2011
Darrel Iverson	Council Member	Jan 2010
LeRoy Towne	Council Member	Jan 2010
Tracy Mertz	Clerk/Treasurer	Annual
Jeffrey Sar	Attorney	Annual

INDEPENDENT AUDITORS' REPORT

Honorable Mayor and Members of the City Council
City of Sloan, Iowa

We have audited the accompanying financial statements of the governmental activities, the business type activities, and each major fund of the City of Sloan, Iowa as of and for the year ended June 30, 2008, which collectively comprise the City's basic financial statements listed in the table of contents. These financial statements are the responsibility of the City of Sloan's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in Note 1, these financial statements were prepared on the basis of cash receipts and disbursements which is a comprehensive basis of accounting other than U.S. generally accepted accounting principles.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash basis financial position of the governmental activities, the business type activities, and each major fund of the City of Sloan, Iowa, as of June 30, 2008, and the respective changes in cash basis financial position for the year then ended in conformity with the basis of accounting described in Note 1.

In accordance with Government Auditing Standards, we have also issued our report dated February 27, 2009 on our consideration of City of Sloan's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with Government Auditing Standards, and should be read in conjunction with this report in considering the results of our audit.

The management's discussion and analysis and budgetary comparison information are not a required part of the basic financial statements but is supplementary information required by the Government Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was performed for the purpose of forming an opinion on the financial statements that collectively comprise the City of Sloan's basic financial statements. The supplemental information included in Schedule 1 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Williams & Company PC
Certified Public Accountants

Onawa, Iowa
February 27, 2009

BASIC FINANCIAL STATEMENTS

CITY OF SLOAN

**City of Sloan
Management's Discussion and Analysis
For the Year ended June 30, 2008**

The City of Sloan provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2008. We encourage readers to consider this information in conjunction with the City's financial statements which follow.

2008 Financial Highlights

Receipts of the City's Governmental activities were approximately \$570,000 for fiscal year 2008.

Disbursements and transfers were approximately \$530,000 in fiscal year 2008.

The City's total cash basis net assets increased 7.8%, or approximately \$40,000, from June 30, 2007 to June 30, 2008.

Using this Annual Report

The annual report consists of a series of financial statements and other information as follows:

Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the City's financial activities.

The City's Financial Statement consists of a Statement of Activities and Net Assets - Cash Basis. This statement provides information about the activities of the City as a whole and presents an overall view of the City's finances.

Notes to financial statements provide additional information essential to a full understanding of the data provided in the basic financial statements.

Required Supplementary Information further explains and supports the financial statements with a comparison of the City's budget for the year.

Other Supplementary Information provides a schedule of indebtedness.

Basis of Accounting

This City maintains its financial records on the basis of cash receipts and disbursements and the financial statements of the City are prepared on that basis. The cash basis of accounting does not give effect to accounts receivable, accounts payable and accrued items. Accordingly, the financial statements do not present financial position and results of operations of the funds in accordance with U.S. generally accepted accounting principles. Therefore, when reviewing the financial information and discussion within this annual report, the reader should keep in mind the limitations resulting from the use of the cash basis of accounting.

Reporting the City's Financial Activities

One of the most important questions asked about the City's finances is "Is the City as a whole better off or worse off as a result of the year's activities?" The Statement of Activities and Net Assets - Cash Basis reports information which helps answer this question.

The Statement of Activities and Net Assets - Cash Basis presents the City's net assets. Over time, increases or decreases in the City's net assets may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

CITY OF SLOAN

Fund Financial Statements

The City has two kinds of funds:

- 1) Governmental funds account for most of the City's basic services. These focus on how money flows into and out of those funds and the balances at year-end that are available for spending. The governmental funds include: 1) the General Fund, 2) the Special Revenue Funds, such as Road Use Tax, 3) the Debt Service Fund and 4) Capital Project Funds. The governmental fund financial statements provide a detailed, short-term view of the City's general governmental operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs.

The required financial statements for governmental funds include a statement of cash receipts, disbursements and changes in cash balances.

- 2) Proprietary funds account for the City's Enterprise Funds. Enterprise Funds are used to report business type activities. The City maintains two Enterprise Funds to provide separate information for the Water Fund and Sewer Fund, considered to be major funds of the City.

The required financial statements for proprietary funds include a statement of cash receipts, disbursements and changes in cash balances.

Government-wide Financial Analysis

Net assets may serve over time as a useful indicator of financial position. The City's cash balance for governmental activities increased from a year ago, from \$519,705 to \$560,264. The analysis that follows focuses on the changes in cash balances for governmental activities:

Changes in Cash Basis Net Assets of Governmental Activities

	<u>Year Ended June 30, 2008</u>
Revenues and Transfers:	
General Revenues	
Property Tax	\$ 204,919
Local Option Sales Tax	112,169
Intergovernmental	104,593
Use of Money and Property	15,282
Licenses and Permits	2,649
Other General Receipts	50,163
Charges for Services	<u>80,352</u>
Total Revenues and Transfers	570,127
Program Expenses and Transfers:	
Public Safety	106,825
Public Works	133,414
Culture and Recreation	65,965
Community and Economic Development	1,482
General Government	105,903
Debt Service	53,057
Net Transfers	<u>62,922</u>
Total Program Expenses and Transfers	<u>529,568</u>
Increase in Cash Basis Net Assets	40,559
Cash Basis Net Assets – Beginning of Year	<u>519,705</u>
Cash Basis Net Assets – End of Year	<u>\$ 560,264</u>

Changes in Cash Basis Net Assets of Business Type Activities

	Year Ended June 30, 2008
Receipts:	
Operating Receipts:	
Water	\$ 82,711
Sewer	117,615
Non Operating Revenues	14,577
Proceeds from Borrowings	8,365
Net Transfers In	<u>62,922</u>
Total	286,190
Disbursements:	
Operating Disbursements:	
Water	\$ 68,039
Sewer	61,633
Debt Service - Sewer	<u>26,110</u>
Total	155,782
Net Change in Cash Balance	130,408
Cash Basis Net Assets – Beginning of Year	<u>418,679</u>
Cash Basis Net Assets – End of Year	\$ <u>549,087</u>

Individual Major Governmental Fund Analysis

As the City of Sloan completed the year, its governmental funds reported a combined fund balance of \$560,264, an increase of \$40,559 over last year's total of \$519,705. The following are the major reasons for the changes in fund balances of the major funds from the prior year.

The General Fund cash balance increased \$27,926 from the prior year to \$479,203.
The Road Use Tax Fund cash balance decreased by \$3,747 to \$93,891 during the fiscal year.
The Debt Service Fund cash balance decreased by \$5,817 to \$9,244 during the fiscal year.

Individual Major Business Type Fund Analysis

The Water Fund cash balance increased by \$60,064 to \$386,855.
The Sewer Fund cash balance increased by \$70,344 to \$162,232.

Budgetary Highlights

Over the course of the year, the City amended its budget in May, 2008. The City exceeded its budget in Culture and Recreation due to Library expenditures exceeding budget and Debt Service due to the debt for the street sweeper being budgeted in the public works and disbursed through the debt service fund.

Debt Administration

A comparison of the City's debt at June 30, 2008 to June 30, 2007 follows:

	Year Ended June 30, 2008	2007
Notes Payable – Fire Station	\$ 227,904	\$ 257,237
Note Payable – Street Sweeper	60,208	80,314
Sewer Revenue Notes		20,016
Iowa Finance Authority	<u>8,365</u>	
Total	\$ <u>296,477</u>	\$ <u>247,360</u>

Contacting the City's Financial Management

This financial report is designed to provide our citizens, taxpayers, customers and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Tracy Mertz, City Clerk, Sloan, Iowa.

CITY OF SLOAN, IOWA
STATEMENT OF ACTIVITIES AND NET ASSETS - CASH BASIS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2008

Functions/Programs	Disbursements	Program Receipts	
		Charges for Services	Operating Grants Contributions and Other Program Revenues
Primary Government:			
Governmental Activities:			
Public Safety	\$ 106,825	\$ 4,943	
Public Works	133,414	71,977	\$ 88,414
Culture and Recreation	65,965	1,768	29,449
Community and Economic Development	1,482		
General Government	105,903	9,549	150
Debt Service	53,057		
Total Governmental Activities	<u>466,646</u>	<u>88,237</u>	<u>118,013</u>
Business-Type Activities:			
Water System	68,039	82,711	
Sewer System	87,743	117,615	
Total Business-Type Activities:	<u>155,782</u>	<u>200,326</u>	
Total	<u>\$ 622,428</u>	<u>\$ 288,563</u>	<u>\$ 118,013</u>

General Receipts:

Property Tax Levied For:
 General Purposes
 Debt Service
Local Option Sales Tax
Interest
General Intergovernmental Revenues
Miscellaneous
Proceeds from Borrowings
Interfund Transfers
Total General Revenues
Change in Net Assets
Net Assets - Beginning
Net Assets - Ending

See Accompanying Notes to Financial Statements

Exhibit A

Net (Disbursements) Receipts and Changes in Net Assets		
Governmental Activities	Business-Type Activities	Total
\$ (101,882)		\$ (101,882)
26,977		26,977
(34,748)		(34,748)
(1,482)		(1,482)
(96,204)		(96,204)
(53,057)		(53,057)
<u>(260,396)</u>		<u>(260,396)</u>
	\$ 14,672	14,672
	<u>29,872</u>	<u>29,872</u>
	<u>44,544</u>	<u>44,544</u>
<u>(260,396)</u>	<u>44,544</u>	<u>(215,852)</u>
188,158		188,158
16,761		16,761
112,169		112,169
15,282		15,282
11,612		11,612
19,895	14,577	34,472
	8,365	8,365
(62,922)	<u>62,922</u>	
<u>300,955</u>	<u>85,864</u>	<u>386,819</u>
40,559	130,408	170,967
519,705	418,679	938,384
<u>\$ 560,264</u>	<u>\$ 549,087</u>	<u>\$ 1,109,351</u>

CITY OF SLOAN, IOWA
STATEMENT OF CASH RECEIPTS, DISBURSEMENTS AND CHANGES IN CASH BALANCES
GOVERNMENTAL FUNDS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2008

	General	Special Revenue		Capital Project
		Road Use Tax	Local Option Sales Tax	
Receipts:				
Property Tax	\$ 188,158			
Other City Taxes			\$ 112,169	
Licenses and Permits	2,649			
Intergovernmental Revenue	9,580	\$ 88,414		
Charges for Services	80,352			
Fines and Forfeits	667			
Refunds/Reimbursements	15,699			
Grants and Capital Loans	7,348			
Interest	15,282			
Contributions	22,251			
Miscellaneous	4,198			
Total Receipts	<u>346,184</u>	<u>88,414</u>	<u>112,169</u>	
Disbursements:				
Operating:				
Public Safety	106,825			
Public Works	65,133	68,281		
Culture and Recreation	65,965			
Community and Economic Development	1,482			
General Government	105,903			
Debt Service				
Principal Retirements				
Interest				
Total Disbursements	<u>345,308</u>	<u>68,281</u>		
Excess (Deficiency) of Receipts Over Disbursements	<u>876</u>	<u>20,133</u>	<u>112,169</u>	
Other Financing Sources (Uses):				
Operating Transfers In	28,296			\$ 1,246
Operating Transfers Out	(1,246)	(23,880)	(91,218)	
Total Other Financing Sources (Uses)	<u>27,050</u>	<u>(23,880)</u>	<u>(91,218)</u>	<u>1,246</u>
Net Change in Cash Balances	27,926	(3,747)	20,951	1,246
Cash Balances Beginning of Year	429,203	97,638	\$ (20,951)	\$ (1,246)
Cash Balances End of Year	<u>\$ 457,129</u>	<u>\$ 93,891</u>		

See Accompanying Notes to Financial Statements

Exhibit B

Debt Service		Total Governmental Funds	
\$	16,761	\$	204,919
			112,169
			2,649
	6,599		104,593
			80,352
			667
			15,699
			7,348
			15,282
			22,251
			4,198
	<u>23,360</u>		<u>570,127</u>
			106,825
			133,414
			65,965
			1,482
			105,903
	39,439		39,439
	13,618		13,618
	<u>53,057</u>		<u>466,646</u>
	<u>(29,697)</u>		<u>103,481</u>
	23,880		53,422
			(116,344)
	<u>23,880</u>		<u>(62,922)</u>
	(5,817)		40,559
	15,061		519,705
\$	<u>9,244</u>	\$	<u>560,264</u>

CITY OF SLOAN, IOWA
STATEMENT OF CASH RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH BALANCES
PROPRIETARY FUNDS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2008

	Business Type Activities		
	Water System	Sewer System	Total
Operating Receipts:			
Charges for Services	\$ 82,711	\$ 117,615	\$ 200,326
Total Operating Revenue	82,711	117,615	200,326
Operating Disbursements:			
Business Type Activities	68,039	87,743	155,782
Excess of Operating Receipts Over Operating Disbursements	14,672	29,872	44,544
Non-Operating Receipts (Disbursements):			
Other Non-operating Revenues	13,931	646	14,577
Excess of Receipts Over Operating Disbursements	28,603	30,518	59,121
Other Financing Sources (Uses)			
Proceeds from Borrowings		8,365	8,365
Operating Transfers In	33,651	33,651	67,302
Operating Transfers Out	(2,190)	(2,190)	(4,380)
Total Other Financing Sources (Uses)	31,461	39,826	71,287
Net Change in Cash Balances	60,064	70,344	130,408
Cash Balances - Beginning of Year	326,791	91,888	418,679
Cash Balances - End of Year	\$ 386,855	\$ 162,232	\$ 549,087

CITY OF SLOAN, IOWA

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2008

Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Sloan is a political subdivision of the State of Iowa located in Woodbury County. It operates under the Home Rule provisions of the Constitution of Iowa and under the Mayor-Council form of government with the Mayor and Council Members elected on a non-partisan basis. The City provides numerous services to citizens including public safety, public works, culture and recreation, and general government services. The City also provides water and sewer utilities for its citizens.

A. Reporting Entity

For financial reporting purposes, the City of Sloan has included all funds, organizations, agencies, boards, commissions, and authorities. The City has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the City are such that exclusion would cause the City's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the City to impose its will on that organization or (2) the potential for the organization to provide specific benefits to, or impose specific financial burdens on the City. The City has no component units which meet the Governmental Accounting Standards Board criteria.

Jointly Governed Organizations

City of Sloan also participates in several jointly governed organizations. For which the City is not financially accountable or that the nature and significance of the relationship with the City are such that exclusion does not cause the City's financial statements to be misleading or incomplete.

B. Basis of Presentation

Government-wide Financial Statements

The Statement of Activities and Net Assets reports information on all of the nonfiduciary activities of the City. For the most part, the effect of interfund activity has been removed from this statement. Governmental activities, which are supported by tax and intergovernmental revenues, are reported separately from business type activities, which rely to a significant extent on fees and charges for services.

The Statement of Activities and Net Assets demonstrates the degree to which the direct disbursements of a given function are offset by program receipts. Direct disbursements are those clearly identifiable with a specific function. Program receipts include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function and 2) grants, contributions and interest on investments restricted to meeting the operation or capital requirements of a particular function. Property tax and other items not properly included among program receipts are reported instead as general receipts.

Fund Financial Statements

Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements. The City had no nonmajor governmental funds.

The City reports the following major governmental funds:

The General Fund is the general operating fund of the City. All general tax receipts and other receipts not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating disbursements, the fixed charges and the capital improvement costs that are not paid from other funds.

CITY OF SLOAN, IOWA

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2008

Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont.)

Special Revenue:

The Road Use Tax Fund is used to account for road construction and maintenance.

The Local Option Sales Tax Fund is used to account for the monies received from local option sales tax.

The Debt Service Fund is utilized to account for the payment of interest and principal on the City's general long-term debt.

The Capital Projects Fund is utilized to account for activity for capital projects

The City reports the following major proprietary funds:

The Water Fund accounts for the operation and maintenance of the City's water system.

The Sewer Fund accounts for the operation and maintenance of the City's sewer system.

C. Measurement Focus and Basis of Accounting

The City of Sloan maintains its financial records on the basis of cash receipts and disbursements and the financial statements of the City are prepared on that basis. The cash basis of accounting does not give effect to accounts receivable, accounts payable and accrued items. Accordingly, the financial statements do not present financial position and results of operations of the funds in accordance with U. S. generally accepted accounting principles.

Proprietary funds distinguish operating receipts and disbursements from nonoperating items. Operating receipts and disbursements generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. All receipts and disbursements not meeting this definition are reported as nonoperating receipts and disbursements.

D. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2008, disbursements exceeded the amounts budgeted in the Culture and Recreation Fund and the Debt Service Fund.

Note 2 - CASH AND POOLED INVESTMENTS

The City's deposits in banks at June 30, 2008 were entirely covered by Federal Depository Insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The City is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the City Council; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

The City had no investments meeting the definition of GASB Statement No. 40.

CITY OF SLOAN, IOWA

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2008

Note 3 - BONDS AND NOTES PAYABLE

Annual debt service requirements to maturity for the outstanding debt are as follows:

Year Ending June 30,	Sloan State Bank Fire Station		Sloan State Bank Street Sweeper		Iowa Finance Authority Sewer Project		Total	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2009	\$19,117	\$11,159	\$11,472	\$2,408			\$30,589	\$13,567
2010	20,085	10,191	11,930	1,949	\$8,365		40,380	12,140
2011	21,102	9,175	12,408	1,472			33,510	10,647
2012	22,170	8,106	12,904	976			35,074	9,082
2013	23,292	6,984	11,494	460			34,786	7,444
2014-2018	122,138	15,946					122,138	15,946
Total	\$227,904	\$61,561	\$60,208	\$7,265	\$8,365		\$296,477	\$68,826

The Code of Iowa requires that principal and interest on the debt be paid from the Debt Service Fund with Tax Revenues and, for the fire station debt, partially reimbursed by various townships. The amount due from the various townships at June 30, 2008 was \$22,343. The reimbursements from the townships are recorded as intergovernmental revenues.

The Note, dated March 23, 2007, from Iowa Finance Authority is an interim loan for the plan and design of the projected sewer project. The total approved and committed amount of the note is \$83,898 at a 0% interest rate. The note is due upon obtaining permanent financing for the project or three years from the date of the loan or March 23, 2010.

Note 4 - PENSION AND RETIREMENT BENEFITS

The City contributes to the Iowa Public Employees Retirement System (IPERS) which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by State statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa, 50306-9117.

Plan members are required to contribute 3.70% of their annual covered salary and the City is required to contribute 6.05% of annual covered payroll except for police employees, in which case the percentages are 5.64% and 8.47%, respectively. For the year ended June 30, 2007, the contribution rates for plan members and the City were 3.70% and 5.75%, respectively and for police employees and the City were 6.08% and 9.12%, respectively, and for the year ended June 30, 2006, the contribution rates for police employees and the City were 6.16% and 9.23%, respectively. Contribution requirements are established by State Statute. The City's contributions to IPERS for the years ended June 30, 2008, 2007 and 2006 were \$10,936, \$10,718, and \$9,877, respectively.

Note 5 - COMPENSATED ABSENCES

The City employees accumulate a limited amount of earned but unused vacation hours for subsequent use or for payment upon termination, retirement or death. These accumulations are not recognized as disbursements by the City until used or paid. The City's approximate liability for earned vacation payments to employees at June 30, 2008, is \$1,932..

This liability has been computed based on rates of pay in effect at June 30, 2008.

CITY OF SLOAN, IOWA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008

Note 6 - INTERFUND TRANSFERS

The detail of interfund transfers for the year ended June 30, 2008 is as follows:

<u>Transfer To</u>	<u>Transfer From</u>	<u>Amount</u>
General	Special Revenue: Local Option Sales Tax	\$ 23,916
	Proprietary Funds	
	Sewer	2,190
	Water	<u>2,190</u>
		28,296
Capital Projects	General	1,246
Debt Service	Road Use Tax	23,880
Water Utility	Special Revenue: Local Option Sales Tax	33,651
Sewer Utility	Special Revenue: Local Option Sales Tax	<u>33,651</u>
Total All Transfers		\$ <u>120,724</u>

Transfers generally move resources from the fund statutorily required to collect the resources to the fund statutorily required to disburse the resources.

Note 7 - RISK MANAGEMENT

The City is exposed to various risks of loss related to torts; thefts, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. The City assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF SLOAN, IOWA
BUDGETARY COMPARISON SCHEDULE
OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN BALANCES -
BUDGET AND ACTUAL (CASH BASIS) - ALL GOVERNMENTAL FUNDS AND PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2008

	Governmental Funds Actual	Proprietary Funds Actual	Total
Receipts:			
Property Tax	\$ 204,919		\$ 204,919
Other City Taxes	112,169		112,169
Licenses and Permits	2,649		2,649
Intergovernmental Revenue	104,593		104,593
Charges for Services	80,352	\$ 200,326	280,678
Fines and Forfeits	667		667
Refunds/Reimbursements	15,699		15,699
Interest	15,282	5,455	20,737
Contributions	22,251		22,251
Miscellaneous	4,198	9,122	13,320
Total Revenue	<u>570,127</u>	<u>214,903</u>	<u>785,030</u>
Disbursements:			
Operating:			
Public Safety	106,825		106,825
Public Works	133,414		133,414
Culture and Recreation	65,965		65,965
Community and Economic Development	1,482		1,482
General Government	105,903		105,903
Debt Service	53,057		53,057
Business Type Activities	-	155,782	155,782
Total Disbursements	<u>466,646</u>	<u>155,782</u>	<u>622,428</u>
Excess of Receipts Over Disbursements	<u>103,481</u>	<u>59,121</u>	<u>162,602</u>
Other Financing Sources (Uses):			
Proceeds from Long Term Debt		8,365	8,365
Interfund Transfers In	53,422	67,302	120,724
Interfund Transfers Out	(116,344)	(4,380)	(120,724)
Total Other Financing Sources (Uses)	<u>(62,922)</u>	<u>71,287</u>	<u>8,365</u>
Excess of Receipts and Other Financing Sources Over Disbursements and Other Financing (Uses)	40,559	130,408	170,967
Cash Balances - Beginning of Year	<u>519,705</u>	<u>418,679</u>	<u>938,384</u>
Cash Balances - End of Year	<u>\$ 560,264</u>	<u>\$ 549,087</u>	<u>\$ 1,109,351</u>

See Accompanying Independent Auditors' Report

Budgeted Amounts		Final To	
Original	Final	Net	Variance
\$ 203,531	\$ 203,531	\$	1,388
107,722	107,722		4,447
2,003	2,003		646
92,129	92,129		12,464
262,890	262,890		17,788
			667
			15,699
12,000	12,000		8,737
			22,251
3,686	3,686		9,634
683,961	683,961		101,069
92,957	117,957		11,132
168,643	168,643		35,229
58,358	58,358		(7,607)
1,500	1,500		18
106,242	106,242		339
35,982	35,982		(17,075)
195,229	195,229		39,447
658,911	683,911		61,483
25,050	50		162,552
26,000	26,000		(17,635)
103,500	103,500		17,224
(103,500)	(103,500)		(17,224)
26,000	26,000		(17,635)
51,050	26,050		144,917
847,798	785,426		152,958
\$ 898,848	\$ 811,476	\$	297,875

CITY OF SLOAN, IOWA
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION – BUDGETARY REPORTING
JUNE 30, 2008

The budgetary comparison is presented as Required Supplementary Information in accordance with Governmental Accounting Standards Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the City Council annually adopts a budget on the cash basis following required public notice and hearing for all funds except Internal Service Funds and Fiduciary Funds. The annual budget may be amended during the year utilizing similar statutorily prescribed procedures.

Formal and legal budgetary control is based upon 10 major classes of disbursements known as functions, not by fund or fund type. These ten functions are: public safety, public works, health and social services, culture and recreation, community and economic development, general government, debt service, capital projects, business type activities and non-program. Function disbursements required to be budgeted include disbursements for the general fund, special revenue funds, debt service fund, capital projects funds, and proprietary funds. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund. During the year, a budget amendment increased budget disbursements by \$25,000. The budget amendment is reflected in the final budgeted amounts.

During the year ended June 30, 2008, the disbursements exceeded the amount budgeted in the Culture and Recreation Fund and the Debt Service Fund.

SUPPLEMENTARY INFORMATON

CITY OF SLOAN, IOWA
SCHEDULE OF INDEBTEDNESS
YEAR ENDED JUNE 30, 2008

Obligation	Date of Issue	Interest Rates	Amount Originally Issued	Balance Beginning of Year	Issued During Year	Redeemed During Year	Balance End of Year	Interest Paid	Interest Due and Unpaid
Sloan State Bank	04/09/2001	2.75%	\$ 175,000	\$ 26,016		\$ 26,016		\$ 94	
Sloan State Bank	08/24/2005	4.00%	279,797	247,237		19,333	\$ 227,904	9,844	
Sloan State Bank	10/30/2006	5.00%	80,314	80,314		20,106	60,208	3,774	
Iowa Finance Authority	08/31/2007	0.00%			\$ 8,365		8,365		
Total			<u>\$ 360,111</u>	<u>\$ 353,567</u>	<u>\$ 8,365</u>	<u>\$ 65,455</u>	<u>\$ 296,477</u>	<u>\$ 13,712</u>	



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**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE AND ON
INTERNAL CONTROL OVER FINANCIAL REPORTING BASED ON
AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

To the Honorable Mayor and
Members of the City Council City of Sloan
Sloan, Iowa

We have audited the financial statements of the governmental activities, business type activities, each major fund of the City of Sloan, Iowa, as of and for the year ended June 30, 2008, which collectively comprise the City of Sloan's basic financial statements listed in the table of contents and have issued our report thereon dated February 27, 2009. The financial statements were prepared on the cash basis of accounting which is a comprehensive basis of accounting other than U.S. generally accepted accounting principles. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance:

As part of obtaining reasonable assurance about whether the City of Sloan's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion of compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances of non-compliance or other matters that are described in Part III of the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about the City's operations for the year ended June 30, 2008 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the City. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

Internal Control Over Financial Reporting:

In planning and performing our audit, we considered the City of Sloan's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City of Sloan's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City of Sloan's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies and material weaknesses.

A control deficiency exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the City of Sloan's ability to initiate, authorize, record, process, or report financial data reliably in accordance with U.S. generally accepted accounting principles such that there is more than a remote likelihood a misstatement of the City of Sloan's financial statements that is more than inconsequential will not be prevented or detected by the City of Sloan's internal control. We consider the deficiencies in internal control described in the accompanying Schedule of Findings as items 08-II-A and 08-II-B to be significant deficiencies in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies that results in more than a remote likelihood a material misstatement of the financial statements will not be prevented or detected by the City of Sloan's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we believe the significant deficiencies described above are material weaknesses.

The City of Sloan's responses to findings identified in our audit are described in the accompanying Schedule of Findings. While we have expressed our conclusions on the City's responses, we did not audit the City of Sloan's responses and, accordingly, we express no opinion on them.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of the City of Sloan and other parties to whom the City of Sloan may report. This report is not intended to be used and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by the personnel of the City of Sloan during the course of our audit. If you have any questions concerning any of the above matters, we would be pleased to discuss them with you at your convenience.

Willcans & Company P.C.
Certified Public Accountants

Onawa, Iowa
February 27, 2009

CITY OF SLOAN, IOWA
SCHEDULE OF FINDINGS
FOR THE YEAR ENDED JUNE 30, 2008

Part I – Summary of the Independent Auditor's Results:

1. Unqualified opinions were issued on the financials statements.
2. Significant deficiencies in internal control over financial reporting were disclosed by the audit of the financial statements, including material weaknesses.
3. The audit did not disclose any non-compliance which is material to the financials statements.

Part II: Findings Related to the Financial Statements

Instances of noncompliance.

No matters were reported.

Significant Deficiencies:

08-II-A. Segregation of Accounting Functions

Observation - One important aspect of internal control is the segregation of accounting functions among employees. The City clerk is involved in almost all phases of the finance operations, including check preparation and preparation of the deposits, as well as financial reporting and statements.

Recommendations – With the limited number of personnel, segregation of duties is difficult. The City should implement management review procedures which we feel would aid in improving the internal control of the City.

Response – The City feels that additional personnel in the office it is not feasible at this time. However, management will monitor transactions on a regular basis.

Conclusion - We realize that there are limited number of personnel available and we agree with the City's response. Our purpose in making this observation is to remind management of the careful attention and scrutiny of the records that is necessary when a limited number of personnel are available which makes ideal controls impossible.

08-II-B. Financial Reporting Payroll

Observation - We noted that several employees had been paid the incorrect amount of pay over a period of time.

Recommendation – The employee's pay should be corrected retroactively.

Response – The pay has subsequently been corrected retroactively with Council approval

Conclusion - Response accepted.

Observation - We noted that an employee of the library did not have IPERS deducted from her salary and the wages were not reported to IPERS and therefore the City did not submit their portion of IPERS.

Recommendation - IPERS should be deducted from employee's salary with the wages reported to IPERS with the City submitting their portion of IPERS. This correction should be made retroactive.

Response - The IPERS contribution and wage reports have subsequently been corrected retroactively.

Conclusion - Response accepted.

Part III Other findings Related to Required Statutory Reporting

08-III-A. Official Depositories - A resolution naming official depositories has been approved by the City. The maximum deposit amounts stated in the resolution were not exceeded during the year ended June 30, 2008.

08-III-B. Certified Budget - City disbursements during the fiscal year ended June 30, 2008 exceeded the amount budgeted in Culture and Recreation and Debt Service. Chapter 384.20 of the Code of Iowa states in part that public monies may not be expended or encumbered except under an annual or continuing appropriation.

Recommendation - The budget should have been amended in accordance with Chapter 384.18 of the Code of Iowa before disbursements were allowed to exceed the budget.

Response - The budget will be amended in the future, if applicable.

Conclusion - Response accepted.

08-III-C. Travel Expense - No expenditures of City money for travel expense of spouses of City officials and/or employees were noted.

08-III-D. Bond Coverage - Surety bond coverage of City officials and employees is in accordance with statutory provisions, but we suggest that the City review its coverage with the council and insurance agent on an annual basis.

08-III-E. Minutes Record and Publications

Timely Publications - Chapter 372.13(6) of the Code of Iowa states in part, "Within fifteen days following a regular or special meeting of the council, the clerk shall cause the minutes of the proceedings of the council, including the total expenditures from each city fund, to be published in a newspaper of general circulation in the city."

Recommendation - The City should submit minutes for each meeting of the City Council for timely publication as required by the Code of Iowa.

Response - Minutes of the City have not always been published in a timely manner. Policy was changed and updated to provide for timely publishing of minutes.

Conclusion - Response accepted.

08-II-H. Deposits and Investments - We noted no instances of noncompliance with the deposit and investment provisions of Chapter 12B and 12C of the Code of Iowa and the City's investment policy.